

## CHAPTER 7

FOREIGN CURRENCY REPORTS0701 GENERAL

070101 Purpose. This chapter establishes reporting requirements for tracking all transactions that increase or decrease the foreign currency fluctuations accounts. It provides guidance to DoD Components on the recording of obligations for expenses payable in certain foreign currencies.

070102 Overview

A. The provisions of this chapter apply to all DoD Components unless specific exceptions have been granted in writing by the Under Secretary of Defense (Comptroller) (USD(C)).

B. The reports discussed in this chapter are as follows:

1. DD-COMP(M)1506  
Foreign Currency Fluctuations, Defense.

2. DD-COMP(M)1761  
Foreign Currency Fluctuations, Construction, Defense

070103 Foreign Currency Fluctuation, Operation and Maintenance

A. Beginning in Fiscal Year 1979, the Congress authorized the transfer of funds to Department of Defense operating appropriations to cover significant losses from foreign exchange rate fluctuations. Significant net gains from foreign currency exchange rate fluctuations must also be transferred to this new account. The operations and maintenance appropriations are the only appropriations affected. The purpose of the new appropriation is to alleviate the adverse effect of significant fluctuations in the specified currency exchange rates on authorized DoD programs subsequent to September 30, 1978. The title of the appropriation is the "Foreign Currency Fluctuations, Defense Appropriation (FCF,D)," Symbol 97X0801.

B. The OUSD(C) will manage the appropriation for Foreign Currency Fluctuations, Defense (FCF,D). Amounts will be transferred by OUSD(C) to the operating appropriations by means of a Nonexpenditure Transfer Authorization (SF 1151). These transferred funds will be available only for funding a centrally managed allotment (CMA) that each Component's operating appropriation has established to cover net losses in direct programs due to unfavorable fluctuations in foreign exchange rates in the selected currencies. These transfers may not fully fund such losses, but will be based on need, on the funds available to cover such losses DoD-wide, and on other budgetary considerations.

C. Since the FCF,D appropriation is only available to fund net losses, gains and losses will be accumulated in the CMA in each affected operating appropriation, and if a net gain results, the balance must be returned to FCF,D prior to the funds lapsing. Prior to passage of the 1979 appropriation act, the CMA had to be funded entirely by the operating appropriation. However, now that the appropriation is available, prompt action will be taken to provide funding based on justified requests received by USD(C).

D. The following statutes provide authority for the FCF,D appropriation:

1. Public Law 96-38, "Supplemental Appropriation, 1979" allows previously transferred FCF,D funds to be transferred back to the FCF,D appropriation from the appropriation to which they were transferred if the funds are not needed to finance increased obligations due to fluctuations in currency exchange rates because of subsequent favorable fluctuations in currency exchange rates or because other funds are, or become, available to finance these cost increases.

2. Section 767A of Public Law 96-527, "DoD Appropriations Act, 1981,"

prohibits the transfer of funds from the FCF,D appropriation to Military Personnel appropriations for obligations incurred after September 30, 1980.

3. Section 791 of Public Law 97-377, "DoD Appropriations Act, 1983," permits FY 1982 and subsequent O&M unobligated balances to be transferred to the FCF,D appropriation provided the transfers are made prior to the funds lapsing. The general provision limits the use of this authority so that the amount in the FCF,D appropriation does not exceed \$970.0 million at the time the unobligated balance transfer is made.

4. Section 774 of Public Law 98-212, "DoD Appropriations Act, 1984," requires that for FY 1984 and all subsequent fiscal years for the FCF,D appropriation the foreign currency exchange rates in preparing the budget submissions shall be the foreign currency exchanges rates as adjusted or modified by the congressional committee reports.

5. Section 9092 of Public Law 99-591, "DoD Appropriations Act, 1987," allows the Department to transfer unobligated FY 1983 Procurement funds, except for Shipbuilding and Conversion, Navy funds, to the FCF,D appropriation provided that the transfers are made by September 30, 1987 and provided that at the time the transfer is made using this authority, the balance in the FCF,D appropriation does not exceed \$970.0 million.

070104 Foreign Currency Fluctuation, Military Construction, Family Housing and NATO Infrastructure

A. Beginning in Fiscal Year 1987, Congress established a foreign currency fluctuation account to protect DoD Military Construction, Family Housing and North Atlantic Treaty Organization infrastructure programs from substantial gains or losses resulting from foreign currency fluctuations. The title of this appropriation is the "Foreign Currency Fluctuation, Construction, Defense Appropriation (FCF,C,D)," Symbol 97X0803.

B. The OUSD(C) will centrally administer the FCF,C,D appropriation. Initial capitalization for the account is to be accomplished by transferring unobligated balances from the family housing and military construction appropriations to the FCF,C,D account. Unobligated balances may be transferred up to 5 fiscal years after they have expired for original obligation purposes. The capitalized amount is available for obligation or expenditure during FY 1987, or thereafter, for military construction, expenses of family housing, or NATO Infrastructure programs for the Military Departments and Defense Agencies resulting from foreign currency fluctuations. Military Departments should retain sufficient balances in each account as required to cover contingencies.

C. All amounts to be transferred from this appropriation to other appropriations available for construction will require the specific approval of the USD(C). Upon determination of amounts to be transferred from the FCF,C,D accounts, the OUSD(C) will request the DFAS Indianapolis Center to initiate action for transfer of funds to applicable appropriations by means of Nonexpenditure Transfer Authorization (SF 1151).

070105 Definitions

A. Foreign Currency Unliquidated or Liquidated Obligations. These are obligations payable either in a specified foreign currency or in U.S. dollars, the amount of which is determined by the budget rate in effect at the time of the transaction.

B. Accrued Variance. The accrued variance is the difference between unliquidated obligations at the budget rate and the current foreign currency exchange rate.

C. Realized Variance. The realized variance is the difference between liquidated obligations at the budget rate and the foreign currency exchange rate at the time of payment. The variance is equal to the amount disbursed from the applicable centrally managed allotments.

070106 Standards

A. The foreign currency fluctuation legislation limits the use of funds provided the two appropriations (FCF,D and FCF,C,D) solely to losses sustained owing to unfavorable foreign currency fluctuations. The appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes. Other important features of the foreign currency fluctuations appropriations language are the following provisions relating to obligation/expenditure limitations and financial accounting procedures, relative to foreign currency exchange fluctuations:

1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended are hereby increased to the extent necessary to reflect fluctuations in foreign currency exchange rates from those used in preparing the applicable budget submission.

2. Contracts or other obligations entered into payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by the Congress, and adjustments to reflect fluctuations in such rates shall be recorded as disbursements are made.

B. Funds transferred from the foreign currency fluctuation appropriations will be available only for funding centrally managed allotments (CMAs) that are to be established in the applicable operations and maintenance, construction, family housing, or NATO Infrastructure appropriations to cover losses/gains in direct programs due to fluctuations in foreign exchange rates.

C. DoD Components shall record foreign currency obligations at the installation level in dollars at the budgeted rate or at the congressionally established budget exchange rate for direct programs of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts. These rates shall be provided to the DoD Components by the

OUSD(C). Foreign currency obligations are those obligations that are either payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange. When payment is made, the disbursing officer will charge the variance between the budget rate and the current rate directly to the applicable CMA. Other obligation adjustments, such as a change in scope of the contract, will necessitate an adjustment, at the budget rate, in the obligation on the installation's books prior to any adjustment for the currency rate variance.

D. The Component's central accounting activity will determine the total foreign currency unliquidated obligations at the budget exchange rate for each appropriation. An "accrued variance," will be determined at the end of each month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance will never be obligated in the official accounting documents. The exchange rate will be provided by the OUSD(C). Appropriate favorable variances must be identified and accumulated as well as unfavorable variances.

E. It is the responsibility of the component holding the CMA to establish controls and carefully monitor fund availability at all times. Antideficiency Act provisions will apply to each CMA. Controls established must ensure that a sufficient amount of funds within the appropriation's availability are reserved for the CMA to finance projected disbursement requirements. For family housing and construction, this is recommended to be a six month requirement. Should CMA funding availability drop below this level, immediate action must be taken to avoid overobligation. Such action shall include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the CMA without prior certification until funding is obtained. In no case should any action be taken which presumes relief through a transfer of funds from the foreign currency fluctuations appropriations,

owing to the limited capitalization available in these accounts.

F. Currently, there are 14 specified currencies included in the foreign currency fluctuation program. Additional currencies may be added and some deleted by the OUSD(C) as conditions warrant. Specific currencies and exchange rates are published by OUSD(C).

#### 070107 General Reporting Guidance

A. Other than including the variance between the budget rate and current foreign currency exchange rate in the month end accrual at the Component headquarters, as described in subsection 070106.D., above, no further adjustment is necessary until disbursement is made or until the appropriation lapses.

B. Only direct programs are affected by this procedure. The performing activity shall continue to accept reimbursable orders, incur obligations and bill for reimbursement at the current foreign currency exchange rate using the procedures prescribed in Volume 3, chapters 9 and 16, and Volume 11A, Chapter 1 of this Regulation. However, when the performing activity and the benefiting activity are within DoD, the performing activity shall notify the benefiting activity of the amounts obligated that are to be paid in foreign currency. The benefiting activity shall record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 070106.C., above. The variance for the unliquidated obligation and disbursement shall be recorded in the CMA at the headquarters level of the benefiting activity.

C. Normal operating budgets or other funding documents issued for the affected appropriations by DoD Components shall not be adjusted for foreign currency exchange rate fluctuations.

D. Prior to the close of the books at year-end, each Component shall review the status of its CMA. Net gains in a CMA will be promptly transferred back to the applicable Foreign Currency Fluctuations appropriation. Components shall also determine the portion of

the losses that can be absorbed by the CMA and transfer back to the appropriation account any balances that are not required.

#### 0702 REPORTING PROCEDURES

##### 070201 Transfers Made to and from the Foreign Currency Fluctuations, Defense Appropriation Report

DFAS is responsible for providing to the House and Senate Appropriations Committees the annual report on all transfers made to or from the Foreign Currency Fluctuations, Defense Appropriations.

##### 070202 Foreign Currency Fluctuations, Defense (DD-Comp(M)1506)

A. The DFAS is responsible for providing the consolidated monthly DD-Comp(M)1506 report to OUSD(C)P/B.

B. Each DoD Component participating in the program shall submit a monthly report to the DFAS using the format in figure 7-1.

C. The report is due no later than 22 work days after the end of each month.

D. The report shall include the following:

1. Column 1 - Country. The specified countries shall be listed alphabetically.

2. Column 2 - Monetary Unit. Enter the monetary unit of the country.

3. Column 3 - Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. This is derived by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

4. Column 4 - Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. Note: This amount may change from month to month as the current foreign currency exchange rate changes and/or

as the amount of unliquidated obligations changes.

5. Column 5 - Realized Variance.

Enter the actual dollar amount of the variance resulting from liquidated obligations to date. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed.

6. Column 6 - Foreign Currency Obligations Incurred. Enter the dollar amount of total obligations incurred to date at the budget rate. This will be based on actual accounting data of obligations incurred at the budget rate. It will not be a derived number.

7. Column 7 - Planned Overseas Program. The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the PB-18 exhibit, required by Volume 2B, Chapter 19, of this Regulation, supporting the budget year's President's budget request. Any increases/decreases to the planned overseas program during the execution of the CY must be explained by country in the monthly report.

E. The report also shall include footnotes showing:

1. The total funding provided to the centrally managed allotment by source.

a. Transfers from the FCF,D appropriation

b. Transfers from the Component's O&M availability

c. Total CMA funding

2. The anticipated gains or losses for the remainder of the fiscal year. The anticipated gains or losses on projected disbursements to the end of the year shall be estimated by computing the variance that would occur if the current foreign currency exchange rates were to remain in effect during the remainder of the year.

3. Transfers to FCF,D due to Favorable Realized Variances.

4. Projected Liquidations (budget rate) for the FY. Provide an estimate of the obligations (budget rate) that will be disbursed during the FY.

5. Explanation of deviations from planned overseas program by country is required when significant variances from the "obligations incurred" column exist. This explanation can occur any time prior to the lapsing of funds.

F. Based on the reports received, DFAS shall prepare a monthly consolidated report for the OUSD(C), Office of the Deputy Comptroller (Program/Budget) (ODC (P/B)), ATTN: Directorate for Operations. The Reports Control Number under which this report is to be made is RCS DD-COMP(M)1506.

070203 Foreign Currency Fluctuations, Construction, Defense Appropriation Report.

DFAS is responsible for providing to the House and Senate Appropriations Committees the semi-annual report on the Foreign Currency Fluctuations, Construction, Defense Appropriations.

070204 Foreign Currency Fluctuations, Construction, Defense (DD-Comp(M) 1761)

A. The DFAS is responsible for providing the consolidated monthly DD-Comp(M)1761 report to OUSD(C)P/B.

B. DoD Components shall prepare monthly reports on Foreign Currency Fluctuations, Construction, Defense, appropriations obligations using the format in Figure 7-2.

C. The report is due no later than 22 work days after the end of each month.

D. The report shall include the following:

1. Column 1 - Country. The specified country shall be listed alphabetically.

2. Column 2 - Monetary Unit. Enter the monetary unit of the country.

3. Column 3 - Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. Report unliquidated obligations by fiscal year.

4. Column 4 - Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. Note: This amount may change from month to month as the current foreign currency exchange rate changes. Report accrued variances by fiscal year.

5. Column 5 - Foreign Currency Liquidated Obligations. Enter the dollar amount of total obligations liquidated for the report month at the budget rate.

6. Column 6 - Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. All realized variances will be charged against the current year CMAs for construction, military family housing operations and maintenance and military family housing construction.

7. Column 7 - CMA Projected Six Month Disbursements. Enter the projected 6-month disbursements from the centrally managed allotment based on historical outlay data, contract requirements, and payment schedules.

E. The report also shall include footnotes showing:

1. The anticipated gains or losses for the rest of the fiscal year (estimate this by computing the variance that would occur if the present currency exchange rates were to remain unchanged during the remainder of the fiscal year).

2. The total funding provided to the Centrally Managed Allotments from the FCF,C,D appropriation.

F. Based on the reports received, the DFAS shall prepare a monthly consolidated report for OUSD(C), ODC (P/B), ATTN: Directorate for Military Construction. The fiscal year reports submitted by DoD Components shall be used by DFAS as the basis for preparing and submitting the required biannual and annual reports to the Congress. The Reports Control Number under which this report is to be made is RCS DD-COMP(M)1761.

<b><u>FOREIGN CURRENCY FLUCTUATIONS, DEFENSE REPORT</u></b> <b><u>FOR (Component and Appropriation)</u></b> <b><u>AS OF: (date) (YYMMDD)</u></b> <b><u>DD-COMP(M)1506</u></b>						
Country  (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations  (Budget Rate)	Accrued Variance	Realized Variance	Obligations Incurred  (Budget Rate)	Planned Overseas Program  (Budget Rate)
<b><u>FOOTNOTES:</u></b>  (1) CMA Funding Transfers from FCF,D _____ Transfers from O&M _____ Total _____  (2) Anticipated Gains/Losses  (3) Transfers to FCF,D (Favorable Fluctuations)  (4) Projected Liquidations (Budget Rate)  (5) Explanation of Deviation From Plan						

FIGURE 7-1

<b><u>FOREIGN CURRENCY FLUCTUATIONS, CONSTRUCTION, DEFENSE REPORT</u></b> <b><u>FOR (Component and Appropriation)</u></b> <b><u>AS OF: (date) (YYMMDD)</u></b> <b><u>DD-COMP(M)1761</u></b>						
Country  (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations  (Budget Rate)	Accrued Variance	Foreign Currency Liquidated Obligations  (Budget Rate)	Realized Variance	CMA Projected Six Month Disbursements
<b><u>FOOTNOTES:</u></b>  (1) Anticipated Gains/Losses remainder of year  (2) Total funding provided from FCF,C,D						

FIGURE 7-2